

Message Text

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C O N F I D E N T I A L STATE 182780

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E.O. 11652: GDS

TAGS: MARR, AID, PO

SUBJECT: FUTURE US ASSISTANCE TO PORTUGAL AND THE AZORES
BASE AGREEMENT

1. OMB OFFICIALS INFORMALLY TOLD STATE/AID REPRESENTATIVES
JULY 18, THAT THEY ARE NOT, RPT NOT PREPARED TO RECOMMEND
PRESIDENTIAL APPROVAL OF OUR REQUEST FOR AUTHORITY TO OFFER
THE PORTUGUESE \$80 MILLION IN GRANT ECONOMIC ASSISTANCE
AND \$60 MILLION IN GRANT MAP IN RETURN FOR A NINE-YEAR
RENEWAL OF THE LAJES BASE AGREEMENT. THEIR OBJECTION WAS
NOT SO MUCH TO THE 80/60, NINE YEAR OFFER (ALTHOUGH
THEY RESERVED JUDGEMENT ON THAT), BUT TO THE ADDITIONAL
\$40 MILLION IN MAP WHICH WE PROPOSED TO PROVIDE PORTUGAL
FOR FORCE MODERNIZATION OUTSIDE THE CONTEXT OF A BASE
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AGREEMENT.

2. OMB REPS ARGUED THAT BUDGETARY RESTRICTIONS VIRTUALLY
PRECLUDED THEIR AGREEING TO GRANT MAP LEVELS OF \$50
MILLION PER YEAR IN FY '80 AND '81. THEY ALSO OBJECTED
TO RECOMMENDING APPROVAL OF A NEW OFFER TO THE PORTUGUESE
UNTIL THE BUDGETARY LEVELS FOR MILITARY ASSISTANCE HAVE BEEN

ESTABLISHED THROUGH THE ANNUAL ZBB EXERCISE WHICH IS GETTING UNDERWAY NOW AND WILL CONCLUDE IN THE EARLY FALL.

3. STATE REPRESENTATIVES RESPONDED THAT OMB HAD ASKED THAT THE NEW REQUEST FOR NEGOTIATING AUTHORITY LAY OUT STATE/AID/DOD PRELIMINARY THINKING ON ASSISTANCE TO PORTUGAL FOR FY '80 AND '81. WHAT STATE HAD PRESENTED REPRESENTED THE BEST JUDGMENT OF AMBASSADOR BLOOMFIELD, SUPPORTED BY ALL CONCERNED ELEMENTS IN STATE, AID, DOD AND NSC, REGARDING WHAT ASSISTANCE IS NECESSARY TO WRAP UP A LAJES AGREEMENT, AND WHAT IS NEEDED TO CONSOLIDATE PORTUGUESE DEMOCRACY AND TO ASSUME THAT PORTUGAL CAN MAKE A MEANINGFUL CONTRIBUTION TO THE ALLIANCE. STATE REPS SAID THAT ALTHOUGH THEY WERE SATISFIED THAT A STRONG CASE HAD ALREADY BEEN MADE FOR A \$50 MILLION MAP LEVEL FOR '80 AND '81, THEY WOULD SUBMIT ADDITIONAL JUSTIFICATIONS.

4. ON THE ECONOMIC SIDE, OMB OFFICIALS QUESTIONED WHETHER THE ABSORPTIVE CAPACITY OF THE AZORES WAS SUFFICIENT TO JUSTIFY AN \$80 MILLION ECONOMIC ASSISTANCE LEVEL OVER THE NEXT FOUR AND ONE-HALF YEARS. THEY ALSO WANTED MORE DETAILS ON THE KINDS OF PROJECTS TO BE FUNDED, THEIR IMPACT ON THE POPULATION, AND WHETHER OR NOT THEY WOULD BE RELATIVELY FAST DISBURSING.

5. STATE OFFICIALS STRESSED THE NEED FOR RAPID
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APPROVAL OF THE NEGOTIATING AUTHORITY, EVEN IF THE QUESTION OF ADDITIONAL ASSISTANCE IS LEFT UNTIL LATER. THEY ADDED THAT AS A RESULT OF OUR IMPORTUNING THE PORTUGUESE TO MOVE QUICKLY TO CONCLUDE AN AGREEMENT, WE NOW HAVE AN OPPORTUNITY TO FINALIZE THE MATTER IF WE CAN GET EARLY APPROVAL OF THE RECOMMENDATION SUBMITTED THROUGH OMB.

6. ACTION REQUESTED: EMBASSY LISBON SHOULD CABLE ASAP JUSTIFICATION FOR \$50 MILLION IN MAP FOR PORTUGAL FOR FY 1980 AND FY 1981. EMBASSY/AID SHOULD ALSO SEND AVAILABLE ADDITIONAL INFORMATION, REGARDING PORTUGUESE PLANS TO USE THE PROPOSED ECONOMIC ASSISTANCE FOR THE AZORES, AS WELL AS FOR THE MAINLAND INCLUDING DETAILS ON PROJECTS, IMPACT AND SPEED OF DISBURSAL. CHRISTOPHER

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